



GREAT LAKES POWER CORPORATION LIMITED

1968 Annual Report

GREAT LAKES POWER CORPORATION LIMITED

1968 Annual Report

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GREAT LAKES POWER CORPORATION LIMITED

General Offices:
122 East Street
Sault Ste. Marie, Ontario

Board of Directors

| | |
|----------------------------|------------------|
| J. N. ALLAN | Dunnville |
| J. B. CRONYN | Toronto |
| R. L. CURRAN | Sault Ste. Marie |
| *J. S. DINNICK | Toronto |
| *DR. R. L. HEARN | Queenston |
| *W. M. HOGG | Sault Ste. Marie |
| *F. E. HOLLINGSWORTH | Sault Ste. Marie |
| F. S. HOLLINGSWORTH | Sault Ste. Marie |
| A. B. McLEAN | Sault Ste. Marie |
| J. D. McPHAIL | Sault Ste. Marie |
| J. M. G. SCOTT | Vancouver |
| *W. P. SCOTT | Toronto |

* Member of Executive Committee

Officers

| | |
|---------------------------|---|
| F. E. HOLLINGSWORTH | Chairman of the Board of Directors |
| W. M. HOGG | President |
| F. H. MacKAY | Vice-President - Electrical Operations |
| C. R. WALTON | Secretary |
| B. L. CARRUTHERS | Comptroller |

Transfer Agent and Registrar

| | |
|------------------------------|---|
| MONTREAL TRUST COMPANY | 15 King St. West Toronto, Ontario and 777 Dorchester Blvd. West Place Ville Marie Montreal, Quebec |
|------------------------------|---|

Directors' Report

In 1968 the Company delivered 1.202 billion kilowatt-hours of electrical energy, up 31 million over 1967. Operating revenues increased \$746,781 or 9% over that of 1967. Net income declined \$106,785 or 5%. The principal reason for this decline was the substantial purchase of power from Ontario Hydro during the first half of the year to supplement our own generation due to abnormally low water conditions. Below normal precipitation, which began in the latter part of the summer and early fall of 1967, continued into the spring of 1968, seriously decreasing the inflow into our storages.

We entered 1969 with our inflow and water storages above normal and demand for power up 8% over the same period last year. Provided we receive normal precipitation and the increased demand continues throughout the year, earnings can improve in 1969.

Operating expenses, including purchased power and general taxes but excluding depreciation, were up \$897,879 of which \$815,564 was for purchased power. Other operating expenses, including wages, municipal taxes and supplies, also increased during the year.

After deductions for interest and related charges and provision for depreciation and income taxes, net income for 1968 was \$2,046,458 or \$1.66 per share on 1,232,234 shares. Last year's net was \$2,153,243 or \$1.75 per share.

The Company will claim for tax purposes capital cost allowances in excess of the depreciation recorded for 1968, which will result in an estimated reduction of \$140,700 in income taxes. This reduction is reflected in the consolidated statement of income in this report and compares with \$138,000 reduction for 1967. The total amount by which income taxes have so been reduced in this and prior years is \$3,624,400.

Power is being supplied to Abitibi Paper Company, The Algoma Steel Corporation and its Algoma Ore Division, Linde Gases Division of Union Carbide Canada, Mannesmann Tube Company, Algoma Central Railway, Renabie Mines, Weyerhaeuser Canada and a number of smaller industries and mines. Power is supplied to Ontario Hydro for distribution in the Chapleau area. The City of Sault Ste. Marie is supplied with power for distribution therein and in adjoining areas. Power is retailed by the Company in twenty-six communities and municipalities, including surrounding rural areas.

During the year approximately \$1,913,700 was added to Utility Plant. Additions included a new 230/115 KV substation, improvements to other substation facilities, power lines and services to customers. Of this amount \$1,287,670 was expended on the new 230/115 KV substation, \$80,264 on substation improvements and \$185,300 on reinsulating the 115 KV hydro tie line for 230 KV operation, acquiring the necessary rights-of-way for the second 230 KV transmission line with Ontario Hydro and the erection of two and a half miles of double circuit steel towers. This section will combine the conductors of both lines to the Ontario Hydro system.

An allocation of \$2,526,000 has been authorized for construction in 1969, including the second tie line. Construction of the line will be started this summer and it is scheduled to be in operation in May, 1970.

Power is being produced in nine hydro-electric generating stations with an aggregate capability of 192,000 kilowatts, all interconnected with 312 miles of transmission lines. The Company sells 12,500 hydraulic horsepower to the Abitibi Paper Company from the power canal at Sault Ste. Marie, Ontario. In addition, electrical energy is available from Ontario Hydro, which is delivered as required over the Company's interconnection with the Hydro system. During 1969 studies and appraisals relating to developments for future load increases and for improvements within the Company's system will continue.

All interest payments and sinking fund provisions of the Company's first mortgage bonds and debentures for the year 1968 have been made. Arrangements are being made to refund the balance of the Series "A" bonds which mature in December, 1969.

Four quarterly dividends of 30c per share were paid during the year, making a total payment of \$1.20 on each share outstanding for the full year.

Your Directors report the resignation as a Director, effective August 20, 1968 of Stanley M. Wedd, a former President and Chairman of the Board of the Canadian Bank of Commerce. We take this opportunity of gratefully acknowledging his wise counsel, principally in the field of finance, since 1951.

This vacancy on the Board of Directors has been filled by the appointment on August 20, 1968 of the Honourable James N. Allan, formerly Treasurer of the Province of Ontario.

Your Directors record with profound regret the sudden passing of our colleague, John H. Ratcliffe, on October 31, 1968. He was Chairman of the Board of McLeod, Young, Weir & Company Limited and has been a respected and valued Director and Member of the Executive Committee of your Company since 1952.

The late John H. Ratcliffe was replaced on the Board and on the Executive Committee on November 28, 1968 by John S. Dinnick, President of McLeod, Young, Weir & Company Limited.

On December 31, 1968 James R. Andrews, Vice-President - Finance, retired after thirty-eight years of service with the Company and its predecessor companies. We are sure that the shareholders will wish to join management and the Directors in thanking Mr. Andrews for his guidance and devotion. We express the wish that he will enjoy health and happiness for many years.

It is again a pleasure to acknowledge with appreciation the efforts of the officers and employees on behalf of the Company during the past year.

On behalf of the Board of Directors,

F. E. HOLLINGSWORTH, *Chairman.*

W. M. HOGG, *President.*

March 25, 1969.

GREAT LAKES POWER CORPORATION LIMITED
AND SUBSIDIARY COMPANY

*Consolidated Statement of Income
and Retained Earnings*

FOR THE YEAR ENDED DECEMBER 31

| | 1968 | 1967 |
|--|----------------------------|----------------------------|
| Operating Revenue | | |
| Electric | \$ 8 959 948 | \$ 8 213 138 |
| Hydraulic | 62 825 | 62 854 |
| | <u>9 022 773</u> | <u>8 275 992</u> |
| Operating Expenses | | |
| Operation | 1 069 900 | 1 018 273 |
| Purchased Power | 1 407 194 | 591 630 |
| Maintenance | 516 047 | 495 426 |
| Depreciation | 1 149 716 | 1 139 365 |
| Taxes, other than income taxes | 314 797 | 284 527 |
| Directors' fees and expenses | 14 275 | 14 561 |
| | <u>4 471 929</u> | <u>3 543 782</u> |
| Operating Income | <u>4 550 844</u> | <u>4 732 210</u> |
| Other Income | | |
| Interest | 20 699 | 37 764 |
| Discount on redemption of bonds and debentures | — | 38 127 |
| Income Available for Interest Charges | <u>4 571 543</u> | <u>4 808 101</u> |
| Interest Charges | | |
| Interest on long-term debt | 804 958 | 824 365 |
| Amortization of debt discount and expense | 24 672 | 29 816 |
| | <u>829 630</u> | <u>854 181</u> |
| Interest charged to construction | 89 345 | 27 723 |
| | <u>740 285</u> | <u>826 458</u> |
| Net Income Before Income Taxes | <u>3 831 258</u> | <u>3 981 643</u> |
| Provision for Income Taxes (Note 4) | <u>1 784 800</u> | <u>1 828 400</u> |
| NET INCOME | <u>2 046 458</u> | <u>2 153 243</u> |
| | | |
| Retained Earnings at Beginning of Year | 13 839 002 | 13 132 797 |
| Contributions in aid of construction | 14 881 | 29 721 |
| | <u>15 900 341</u> | <u>15 315 761</u> |
| Dividends declared and paid | 1 478 681 | 1 476 759 |
| RETAINED EARNINGS AT END OF YEAR | <u><u>\$14 421 660</u></u> | <u><u>\$13 839 002</u></u> |

Consolidated Balance Sheet AS AT DECEMBER 31, 1968

| ASSETS | 1968 | 1967 |
|--|----------------------------|----------------------------|
| Utility Plant | | |
| Stated on the basis of fair value of \$22,200,000 as at December 31, 1949 of property acquired as an entirety as appraised by H. G. Acres & Company, consulting engineers, plus subsequent additions at cost, less retirements | \$58 919 666 | \$57 349 202 |
| Accumulated depreciation (Note 1) | 14 822 205 | 13 768 981 |
| | <u>44 097 461</u> | <u>43 580 221</u> |
| Current Assets | | |
| Cash | 41 853 | 593 866 |
| Short-term investments at cost, which approximates market | — | 125 000 |
| Accounts receivable | 1 054 103 | 814 248 |
| Materials and supplies, valued at average cost | 215 667 | 211 574 |
| Prepayments | 40 725 | 71 053 |
| | <u>1 352 348</u> | <u>1 815 741</u> |
| Other Assets | | |
| Special refundable tax | — | 106 820 |
| Unamortized debt discount and expense | 146 844 | 171 515 |
| | <u>146 844</u> | <u>278 335</u> |
| | <u><u>\$45 596 653</u></u> | <u><u>\$45 674 297</u></u> |

Signed on behalf of the Board:

W. P. SCOTT, *Director*.

W. M. HOGG, *Director*.

AUDITORS' REPORT

We have examined the consolidated balance sheet of Great Lakes Power Company and its subsidiary, Great Lakes Power Company, Limited as at December 31, 1968 and retained earnings and cash flow for the year then ended and the results of their procedures and such tests of accounting records and other circumstances.

In our opinion these consolidated financial statements of Great Lakes Power Company and its subsidiary as at December 31, 1968 and the results of their year then ended, in accordance with generally accepted accounting principles for the preceding year.

Toronto 1, Ontario
January 31, 1969.

GREAT LAKES POWER CORPORATION LIMITED
AND SUBSIDIARY COMPANY

| LIABILITIES | 1968 | 1967 |
|---|----------------------------|----------------------------|
| Capitalization | | |
| Common shares (Note 2) | | |
| Authorized | | |
| 2,500,000 shares without par value | | |
| Issued | | |
| 1,232,234 shares | \$ 4 026 478 | \$ 4 026 478 |
| Retained earnings per accompanying statement | 14 421 660 | 13 839 002 |
| Excess of appraised value of utility plant assets over cost as at | | |
| December 31, 1949, less subsequent retirements | 8 621 154 | 8 742 774 |
| Common share equity | <u>27 069 292</u> | <u>26 608 254</u> |
| Preference shares | | |
| 120,000 shares of \$25 par value each, issuable in one or more series | | |
| Long-term debt (Note 3) | 17 618 000 | 17 711 000 |
| Total Capitalization | <u>44 687 292</u> | <u>44 319 254</u> |
| Current Liabilities | | |
| Accounts payable and accrued | 523 062 | 764 054 |
| Income taxes | 340 479 | 551,897 |
| Customers' deposits | 45 820 | 39 092 |
| | <u>909 361</u> | <u>1 355 043</u> |
| | <u>\$45 596 653</u> | <u>\$45 674 297</u> |

THE SHAREHOLDERS

Great Lakes Power Corporation Limited (an Ontario Corporation) has audited the consolidated statements of income for the year ended December 31, 1968 and the consolidated statements of income for the year ended December 31, 1967. Our examination included a general review of the accounting records and supporting evidence as we considered necessary in the circum-

stances to present fairly the financial position of the corporation and its results of operations and the source and disposition of their cash for the year ended December 31, 1968. The accounting principles applied on a basis consistent with that of the

RIDDELL, STEAD, GRAHAM & HUTCHISON
Chartered Accountants

Notes to Consolidated Financial Statements

GREAT LAKES POWER CORPORATION LIMITED AND SUBSIDIARY COMPANY

FOR THE YEAR ENDED DECEMBER 31, 1968

- The utility plant, excluding the appraisal increment thereon and non-depreciable assets, is being depreciated on a straight-line basis over the estimated useful life of the plant.
- The changes during the year in the common shares reserved for employee options are as follows:

| Shares Reserved Dec. 31, 1967 | Price Per Share | Options | | Shares Reserved Dec. 31, 1968 | Expiry Date |
|-------------------------------------|-----------------------|------------|--------------|-------------------------------------|----------------|
| | | Cancelled | Granted | | |
| 9 500 | \$21.60 | 650 | — | 8 850 | Dec. 3, 1973 |
| 500 | 19.80 | — | — | 500 | Dec. 13, 1976 |
| — | 16.65 | — | 5 000 | 5 000 | July 19, 1978 |
| <u>10 000</u> | | <u>650</u> | <u>5 000</u> | <u>14 350</u> | |

- Long-term debt consists of the following:

| Long-term debt consists of the following: | | Balance as at December 31, | |
|--|---------------|-------------------------------|---------------------|
| | Maturity | 1968 | 1967 |
| First Mortgage Twenty-Year Sinking Fund Bonds | | | |
| 3½%, Series A | Dec. 30, 1969 | \$ 4 200 000 | \$ 4 200 000 |
| 4¾%, Series B | Feb. 1, 1972 | 908 000 | 945 000 |
| 5%, Series C | Feb. 1, 1973 | 1 410 000 | 1 466 000 |
| 4½%, Series D | Dec. 1, 1976 | 3 300 000 | 3 300 000 |
| Twenty-Year Sinking Fund Debentures | | | |
| 4¼%, 1955 Series | Aug. 1, 1975 | 3 550 000 | 3 550 000 |
| 5¾%, 1957 Series | May 15, 1977 | 4 250 000 | 4 250 000 |
| | | <u>\$17 618 000</u> | <u>\$17 711 000</u> |

The payments required to 1973 under the Deed of Trust and Mortgage for sinking fund purposes, including redemption of the Series A bonds in 1969, the Series B bonds in 1972 and the Series C bonds in 1973, are as follows:

| | |
|------------|--------------|
| 1969 | \$4 593 600* |
| 1970 | 393 500 |
| 1971 | 393 400 |
| 1972 | 1 153 300 |
| 1973 | 1 486 200 |

* Excluded from current liabilities

Debt discount and expense is amortized over the term of the issue, adjusted for annual retirements.

- As it is the corporation's intention to claim for income tax purposes capital cost allowances in excess of the depreciation recorded in the accounts, the 1968 provision for income taxes is \$140,700 less than would otherwise have been provided. The accumulated amount by which income taxes have been so reduced in this and prior years is \$3,624,400.
- The aggregate direct remuneration paid to directors and senior officers of the company and its subsidiary amounted to \$126,328.

Consolidated Statement of Cash Flow

GREAT LAKES POWER CORPORATION LIMITED AND SUBSIDIARY COMPANY

FOR THE YEAR ENDED DECEMBER 31

| | 1968 | 1967 |
|---|------------------|-------------------|
| Cash at Beginning of Year | \$ 593 866 | \$ 471 533 |
| Source | | |
| From operations — | | |
| Net income for the year | 2 046 458 | 2 153 243 |
| Depreciation on utility plant | 1 149 716 | 1 139 365 |
| Amortization of debt discount and expense | 24 672 | 29 816 |
| | 3 220 846 | 3 322 424 |
| Proceeds from shares issued | — | 134 833 |
| Proceeds from utility plant retirements | 125 098 | 41 708 |
| Contributions in aid of construction | 14 881 | 29 721 |
| | 3 360 825 | 3 528 686 |
| Disposition | | |
| Payment of dividends | 1 478 681 | 1 476 759 |
| Retirement of long-term debt | 93 000 | 589 000 |
| Additions to utility plant | 1 913 675 | 1 281 636 |
| Special refundable tax | (106 820) | 19 780 |
| Reduction (increase) in current liabilities | 445 682 | (158 696) |
| Increase in current assets other than cash | 88 620 | 197 874 |
| | 3 912 838 | 3 406 353 |
| Cash at End of Year | \$ 41 853 | \$ 593 866 |

Comparative Statistical Data

| | 1968 | 1967 | 1966 | 1965 |
|---|-----------|-----------|-----------|-----------|
| Number of communities served — retail electricity | 26 | 26 | 26 | 26 |
| † Total population served with electricity — retail | 19 675 | 19 365 | 19 170 | 19 020 |
| * Number of residential electric customers | 6 274 | 6 093 | 5 966 | 5 763 |
| * Number of electric customers other than residential | 634 | 617 | 554 | 525 |
| Electric sales — kilowatt-hours (000 omitted) | 1 202 193 | 1 171 186 | 1 126 692 | 1 120 900 |
| Capability of hydro-electric stations — kilowatts | 192 000 | 192 000 | 192 000 | 192 000 |
| Number of hydro-electric stations | 9 | 9 | 9 | 9 |
| Pole miles of transmission and distribution line includ- ing 24.0 miles of line operated but not owned since 1966 | 1 176 | 1 169 | 1 146 | 1 161 |

†—Exclusive of an estimated population of 77,000 served by the Public Utilities Commission in the City of Sault Ste. Marie and adjoining area at close of year 1968.

*—Adjusted to show customers at close of each year. Exclusive of 19,653 residential and 2,713 other electric customers served by the Public Utilities Commission in the City of Sault Ste. Marie and adjoining area at close of year 1968.

Ten Years in Review

| | 1968 | 1967 | 1966 |
|--|------------------|------------------|---------------|
| CONSOLIDATED INCOME DATA | | | |
| Operating Revenue | (\$ 9 022 773) | (\$ 8 275 992) | \$ 8 258 981 |
| Depreciation | 1 149 716 | 1 139 365 | 1 126 499 |
| Interest on Long-Term Debt | 804 958 | 824 365 | 851 517 |
| Provision for Income Taxes | 1 784 800 | 1 828 400 | 1 861 300 |
| Net Income | (2 046 458) | (2 153 243) | (2 259 831) |
| Dividends Paid — Preference Stock | — | — | — |
| Number of Common Shares Issued at Year End | 1 232 234 | 1 232 234 | 1 221 467 |
| Earnings Per Share — Common Stock | \$ 1.66 | \$ 1.75 | \$ 1.85 |
| Paid Per Share — Common Stock | 1.20 | 1.20 | 1.20 |
| CONSOLIDATED BALANCE SHEET DATA | | | |
| Utility Plant | \$58 919 666 | \$57 349 202 | \$56 216 793 |
| Accumulated Depreciation | 14 822 205 | 13 768 981 | 12 708 577 |
| Per Cent Depreciation to Utility Plant | 25.2 | 24.0 | 22.6 |
| Capitalization | | | |
| Long-term debt | \$17 618 000 | \$17 711 000 | \$18 300 000 |
| Preference stock | — | — | — |
| Common stock equity | 27 069 292 | 26 608 254 | 25 795 774 |
| Total Capitalization | \$44 687 292 | \$44 319 254 | \$44 095 774 |
| Capitalization Ratio — % | | | |
| Long-term debt | 39.4 | 40.0 | 41.5 |
| Preference stock | — | — | — |
| Common stock equity | 60.6 | 60.0 | 58.5 |
| Per Cent Long-Term Debt to Net Utility Plant | 40.0 | 40.6 | 42.1 |
| Common Stock Equity — Per Share at End of Year | \$ 21.97 | \$ 21.59 | \$ 21.12 |
| KILOWATT-HOURS SOLD IN MILLIONS | 1 202 | 1 171 | 1 127 |

**GREAT LAKES POWER CORPORATION LIMITED
AND SUBSIDIARY COMPANY**

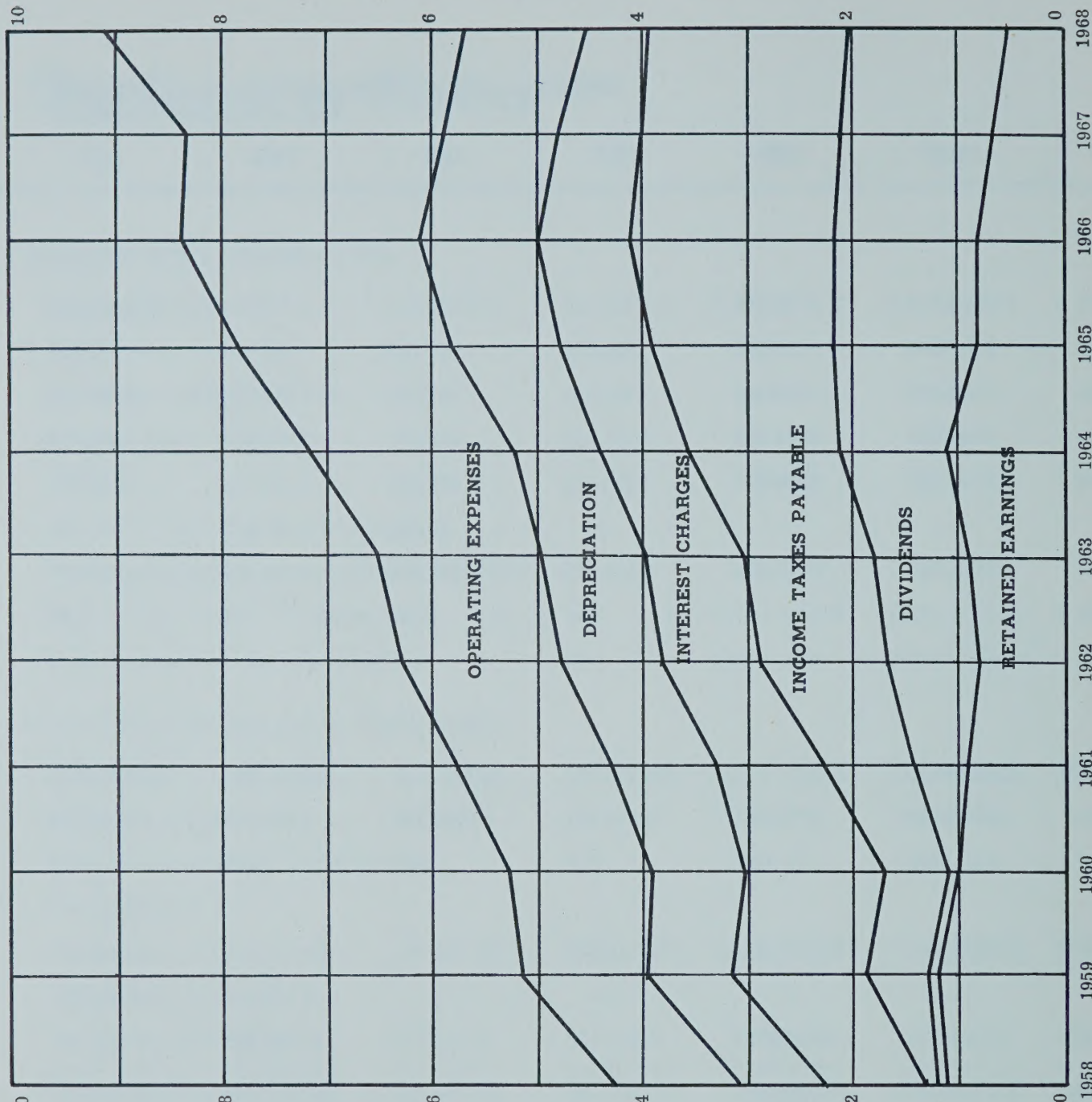
| 1965 | 1964 | 1963 | 1962 | 1961 | 1960 | 1959 |
|------------|--------------|--------------|--------------|--------------|--------------|--------------|
| 7 805 984 | \$ 7 049 848 | \$ 6 463 796 | \$ 6 250 689 | \$ 5 729 411 | \$ 5 187 083 | \$ 5 112 638 |
| 1 065 656 | 1 009 667 | 988 290 | 964 650 | 951 799 | 938 793 | 825 614 |
| 892 688 | 922 630 | 938 423 | 966 254 | 989 797 | 1 006 256 | 1 026 963 |
| 1 709 500 | 1 461 100 | 1 204 400 | 1 177 300 | 883 000 | 657 400 | 598 700 |
| 2 172 440 | 2 162 929 | 1 839 240 | 1 674 588 | 1 409 888 | 1 290 158 | 1 502 020 |
| — | — | — | — | 45 038 | 91 123 | 92 528 |
| 1 211 977 | 1 188 696 | 1 173 216 | 1 112 803 | 1 052 037 | 1 020 987 | 1 016 100 |
| 1.79 | \$ 1.82 | \$ 1.57 | \$ 1.50 | \$ 1.30 | \$ 1.17 | \$ 1.39 |
| 1.15 | .92½ | .82½ | .80 | .47½ | — | — |
| 55 777 715 | \$55 194 945 | \$52 875 894 | \$49 708 260 | \$49 253 095 | \$48 861 384 | \$48 300 278 |
| 11 671 722 | 10 794 819 | 9 861 726 | 8 894 143 | 7 993 124 | 7 088 008 | 6 181 868 |
| 20.9 | 19.6 | 18.7 | 17.9 | 16.2 | 14.5 | 12.8 |
| 19 325 000 | \$19 990 000 | \$20 583 000 | \$20 976 000 | \$21 719 000 | \$22 162 000 | \$22 555 000 |
| — | — | — | — | — | 1 813 075 | 1 850 575 |
| 24 895 610 | 23 901 808 | 22 676 132 | 20 917 492 | 19 615 984 | 18 532 818 | 17 282 357 |
| 44 220 610 | \$43 891 808 | \$43 259 132 | \$41 893 492 | \$41 334 984 | \$42 507 893 | \$41 687 932 |
| 43.7 | 45.5 | 47.6 | 50.1 | 52.5 | 52.1 | 54.1 |
| — | — | — | — | — | 4.3 | 4.4 |
| 56.3 | 54.5 | 52.4 | 49.9 | 47.5 | 43.6 | 41.5 |
| 43.8 | 45.0 | 47.9 | 51.4 | 52.6 | 53.1 | 53.6 |
| 20.54 | \$ 20.11 | \$ 19.33 | \$ 18.80 | \$ 18.65 | \$ 18.15 | \$ 17.01 |
| 1 121 | 957 | 869 | 908 | 847 | 721 | 719 |

GREAT LAKES POWER
CORPORATION LIMITED
AND SUBSIDIARY COMPANY

INCOME STATEMENT

1958 - 1968

IN MILLIONS OF DOLLARS



Total Income

Income Available
For Interest Charges

Net Income Before Income Taxes ...
Net Income

